

**DSP MERRILL LYNCH MUTUAL FUND
TULSIANI CHAMBERS, WEST WING, 11th FLOOR,
NARIMAN POINT, MUMBAI – 400 021**

**HALF YEARLY FINANCIAL RESULTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2007**

NOTES TO ACCOUNTS

1. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, under the historical cost convention, as modified for investments, which are 'marked to market'. The financial statements have been prepared in accordance with the Securities and Exchange Board of India ('SEBI') (Mutual Funds) Regulations, 1996 (the Regulations) as amended from time to time.

2. Investments

a) Accounting for investment transactions

Investments are accounted on the date of the transaction at cost after considering transaction costs as applicable excluding custodian transaction charges. The front end fee receivable, if any, is reduced from the cost of such investment. Bonus entitlements are recognised as investments on the 'ex-bonus date'. Rights entitlements are recognised as investments on the 'ex-rights date'.

Investments in Foreign Securities are accounted at the exchange rate prevalent on the trade date. Difference in the exchange rate till settlement are recognized as exchange gain / loss and charged to the revenue account. Fluctuation in exchange value are considered as a part of market value.

b) Valuation of investments

During the year, the Fund has valued its investments in accordance with the Regulations, as amended from time to time. All investments are marked to market and are stated in the balance sheet at their market / fair value. In valuing the Scheme's investments:

I. Valuation of Traded Securities

I.I. Equity and Equity related Securities

Traded Equity and Equity related Securities are valued at the last quoted closing price on the National Stock Exchange (NSE) or other Stock Exchange (SE) (in case where security is either not listed on NSE or not traded on NSE). In case where a security is not traded on the valuation day then it is valued at last traded price on the NSE or any other SE on which it traded provided it is not more than thirty days prior to the date of valuation.

I.II. Debt Securities

Traded Debt Securities (other than Government Securities) are valued at the last quoted price on the NSE on the day of valuation.

II. Valuation of Thinly Traded Securities/ Non-traded and Unlisted Securities

II.I Equity & Equity related Securities

Thinly Traded, Non-traded and unlisted Equity and Equity Related securities are valued "in good faith" on the basis of net worth per share and earnings capitalization as prescribed by the SEBI.

II.II. Debt Securities of upto 182 Days to Maturity

Non-traded / thinly traded / unlisted debt securities of upto 182 days to maturity are valued at cost or last valuation price (in case of securities having maturity period of more than 182 days at the time of purchase) plus difference between the redemption value and the cost or last valuation price spread uniformly over the remaining maturity period of the securities.

II.III. Debt Securities of over 182 Days to Maturity

Non traded / thinly traded / unlisted debt securities of over 182 days to maturity are valued in good faith by the investment manager on the basis of valuation principles laid down by the SEBI. The approach in valuation of a non-traded / thinly traded / unlisted debt security is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the security.

III. Valuation of Non-Traded /Thinly Traded and Unlisted Floating Rate Debt Securities (Floaters)

There are no valuation guidelines prescribed by SEBI for Valuation of Non-Traded / Thinly Traded and Unlisted Floating Rate Debt Securities. These securities are valued as determined by the investment manager based on policy as approved by the Board of Trustees.

IV. Valuation of Government Securities

Government Securities are valued at the prices provided by the agency (currently Crisil Limited) approved by the Association of Mutual Funds of India (AMFI), on a daily basis.

V. Valuation of securities with Put/Call Options

VI. Securities with Call option

The securities with call option are valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is taken as the value of the instrument.

VII. Securities with Put option

The securities with put option are valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is taken as the value of the instruments.

VIII. The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

VI. Valuation of Money Market Instruments

Investments in call money, Collateralized Borrowing and Lending Obligations and short-term deposits with banks are valued at cost plus accrued interest.

Money market instruments are valued at the last traded yield on the date of valuation. In case the Money market instruments is not traded on the valuation day then it is valued on straight-line amortization over the maturity period of the instruments.

VII. Valuation of Foreign Securities

Investments in shares of Foreign Mutual Fund (Merrill Lynch International Investments Fund – World Gold Fund) are stated at the last declared Net Asset Value per share by the respective mutual fund and are translated into Indian rupees at RBI exchange rate prevalent on the date of valuation / Balance Sheet.

In accordance with the Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds issued by the Institute of Chartered Accountants of India (pursuant to the Eleventh Schedule to the SEBI Regulations), the net unrealised gain or loss in the value of investments is determined separately for each category of investments. The change in the net unrealised loss, if any, between two balance sheet dates is recognised in the revenue account and the change in net unrealised gain, if any, is adjusted in an unrealised appreciation reserve. The loss on investments sold/transferred during the period is charged to the revenue account instead of being first adjusted against the provision for depreciation, if already created in the prior period, as recommended by the Guidance Note. However, this departure from the Guidance Note does not have any net impact on the Scheme's net assets.

c) Equity Derivatives

- Initial Margin paid against equity derivatives is accounted as current assets.
- Open position of exchange traded equity derivatives (ETED) are marked-to-market on daily basis at the closing prices provided by the respective stock exchanges.
- Realised gain / loss on closure / expiry of ETED are accounted as realised gain / loss on investments.

3. Expenses

3.1 In respect of FTP- Series 3A, based on management decision taken during the current period management fee of Rs. 1,415,625, including Rs. 1,355,720 pertaining to previous period has been waived resulting in net credit of Rs. 1,355,720 for the current period.

3.2 Contingent Deferred sales charge (CDSC) / Entry load

The CDSC / Entry Load collected is utilized for meeting the selling and distribution expenses.

3.3 New Fund offer (NFO) expenses

NFO expenses for MCF & SBF was borne by the AMC. For WGF the entry load collected during the NFO was utilized to meet the NFO expenses and the remainder of the NFO expenses was borne by the AMC.

3.4 Amortization of NFO Expenses:

NFO expenses incurred upto 4.50% of amount mobilized is amortized over a period of 36 months, starting from 14th June, 2007. An early exit charge equivalent to the balance unamortized NFO expenses upto the date of redemption is adjusted against the outstanding balance.

4. Investments made in Foreign Securities

Scheme	Investment in Foreign Securities % to net assets as of September 30, 2007
WGF	89.44%

5. Open position of ETED as at September 30, 2007 was as under:

Number of Units Long /(Short)

Scheme	Bharat Forge Ltd.	BHEL	IDBI Ltd.	Moser Baer Ltd.	Nalco Ltd.	NIFTY	NTPC Ltd.	PNB Ltd.
EF	-	61500	-	-	141450	-	778375	-
BaF	-	-	-	-	48300	-	266500	-
OF	100000	-	-	-	-	(143250)	-	-
TEF	-	13200	-	-	21850	-	149500	-
TF	-	-	-	111375	-	-	-	-
ITF	-	-	-	-	-	(69100)	-	-
SPF -C	-	-	(2400)	-	1150	-	-	-
SPF -M	-	-	(76800)	-	-	-	-	-
SPF -A	-	-	(79200)	-	11500	-	-	-
TSF	-	-	-	-	-	(20150)	-	19800

Number of Contracts Long / (Short)

Scheme	Bharat Forge Ltd.	BHEL	IDBI Ltd.	Moser Baer Ltd.	Nalco Ltd.	NIFTY	NTPC Ltd.	PNB Ltd.
EF	-	205	-	-	123	-	479	-
BaF	-	-	-	-	42	-	164	-
OF	100	-	-	-	-	(2865)	-	-
TEF	-	44	-	-	19	-	92	-
TF	-	-	-	135	-	-	-	-
ITF	-	-	-	-	-	(1382)	-	-
SPF -C	-	-	(1)	-	1	-	-	-
SPF -M	-	-	(32)	-	-	-	-	-
SPF -A	-	-	(33)	-	10	-	-	-
TSF	-	-	-	-	-	(403)	-	33

6. Income Distribution

Income distribution during the current period was made from the distributable surplus of current period's earning and accumulated reserves of earlier years.

7. Details of Transactions with Associates in terms of Regulation 25(8):

Name of Associate: DSP Merrill Lynch Limited

Scheme Name	Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers – Rs. Crores	Payment of Brokerage on Secondary Market transactions – Rs. Lakhs	Payment of Brokerage for Distribution and Sale of Units – Rs. Lakhs
BF	-	-	4.78
EF	-	38.67	29.08
LF	22.93	-	8.23
BaF	-	14.53	75.12
GSFA	-	-	0.30
GSFB	-	-	0.19
TF	-	3.24	35.36
OF	51.10	5.81	40.80
STF	-	-	1.55
TEF	2.25	14.15	22.43
SPF-M	-	1.32	19.54
FRF	-	-	4.58
SPF-C	-	0.05	0.70

Scheme Name	Securities transaction in the form of investments in various Public issues / Private placements where the associate was the sole or one of the several lead managers – Rs. Crores	Payment of Brokerage on Secondary Market transactions – Rs. Lakhs	Payment of Brokerage for Distribution and Sale of Units – Rs. Lakhs
SPF-A	-	1.00	9.71
ITF	61.76	23.58	55.20
LPLUS	45.86	-	55.09
SM	53.21	14.17	24.26
MCF	3.89	3.18	98.39
TSF	5.29	1.78	1.31
STR	24.36	-	12.02
WGF	-	-	82.18
FTP – Series 1H	-	-	0.14
FTP – Series 1I	-	-	0.18
FTP – Series 1J	-	-	0.22
FTP – Series 1K	-	-	-
FTP – Series 1M	-	-	-
FTP – Series 1 N	-	-	0.26
FTP – Series 1O	-	-	0.01

BF-Bond Fund, EF – Equity Fund, LF – Liquidity Fund, BaF – Balanced Fund, GSFA – Government Securities Fund – Plan A (Longer Duration Plan), GSF B – Government Securities Fund – Plan B (Shorter Duration Plan), TF – Technology.com fund, OF – Opportunities Fund, STF – Short Term Fund, TEF – Top 100 Equity Fund, SPF-M – Savings Plus Fund - Moderate, FRF – Floating Rate Fund, SPF-A - Savings Plus Fund - Aggressive, SPF-C – Savings Plus Fund - Conservative, ITF – India T.I.G.E.R. Fund, LPLUS – Liquid Plus Fund, SM – Small and Mid Cap Fund, TSF – Tax Saver Fund, SBF – Strategic Bond Fund, WGF – World Gold Fund, MCF – Micro Cap Fund (Closed Ended Scheme). FTP: – Fixed Term Plans Series (Closed Ended Schemes).

Note: Brokerage on distribution and sale of units paid / payable represents the amount paid / payable for the year and does not necessarily reflect the amount charged to the Scheme's revenue account.

8. Investments made in companies which have invested more than five percent of the net asset value of the Schemes of DSP Merrill Lynch Mutual Fund in terms of Regulation 25 (11):

- Investment in Companies includes investment in subsidiaries.
- Purchases represents purchases (including derivatives transactions and inter scheme transactions) made during the period prescribed under regulation 25(11).
- Value represents closing market value of investments as of September 30, 2007.

Investing Scheme %	Scheme invested		Company Name @ (rupees in crores)						
			Allahabad Bank Ltd.	Axis Bank Ltd.	Global Trade Finance Pvt. Ltd.	ICICI Bank Ltd.	JM Financial Products Pvt. Ltd.	State Bank of India Ltd.	Yes Bank Ltd.
BF	LF	Purchases	-	1.00	-	-	-	-	-
		Value	-	6.00	-	-	-	-	-
FTP-Series1D	LF	Purchases	-	-	-	-	-	1.95	-
		Value	-	-	-	-	-	-	-
FTP-Series1E	LF	Purchases	-	-	-	-	-	49.06	-
		Value	-	-	-	-	-	-	-
FTP-Series1F	LF	Purchases	-	-	-	-	-	98.03	-
		Value	-	-	-	-	-	-	-
FTP-Series1G	LF	Purchases	44.96	-	-	-	-	94.33	-
		Value	-	-	-	-	-	-	-
FTP-Series1H	LF	Purchases	-	-	-	4.46	-	-	-
		Value	-	-	-	-	-	-	-
FTP-Series1I	LF	Purchases	-	70.00	-	-	-	98.71	50.00
		Value	-	-	-	-	-	-	-
FTP-Series1J	LF	Purchases	-	-	-	0.25	43.00	52.27	-
		Value	-	-	-	-	-	-	-
FTP-Series1K	LF	Purchases	-	-	-	0.25	-	-	-
		Value	-	-	-	-	-	-	-
FTP-Series1M	LF	Purchases	-	-	-	-	-	24.45	-
		Value	-	-	-	-	-	-	-
FTP-Series1N	LF	Purchases	-	9.78	-	14.11	-	48.89	-
		Value	-	-	-	-	-	-	-
FTP-Series1O	LF	Purchases	-	50.88	-	-	-	8.83	-
		Value	-	50.88	-	-	-	8.83	-
FTP-Series3	LF	Purchases	-	-	-	-	-	2.92	-
		Value	-	-	-	-	-	-	-
FTP-Series3A	LF	Purchases	-	-	-	9.96	-	-	-
		Value	-	-	-	-	-	-	-
FTP-Series3D	LF	Purchases	-	28.64	-	48.51	-	-	-
		Value	-	28.64	-	48.51	-	-	-

Investing Scheme %	Scheme invested		Company Name @ (rupees in crores)						
			Allahabad Bank Ltd.	Axis Bank Ltd.	Global Trade Finance Pvt. Ltd.	ICICI Bank Ltd.	JM Financial Products Pvt. Ltd.	State Bank of India Ltd.	Yes Bank Ltd.
FTP-Series3E	LF	Purchases	-	444.45	-	99.58	-	120.00	-
		Value	-	82.31	-	389.24	-	-	-
FTP-Series3F	LF	Purchases	-	-	-	50.29	-	-	-
		Value	-	-	-	50.29	-	-	-
LF	LF	Purchases	492.65	527.49	60.00	263.39	135.00	1,083.25	178.37
		Value	-	-	-	190.06	3.00	49.04	-
LPLUS	LF	Purchases	305.54	720.51	78.54	662.35	261.00	1,381.73	194.08
		Value	141.37	120.28	48.54	279.39	1.00	24.06	-
MCF	LF	Purchases	-	-	-	3.57	-	-	-
		Value	-	-	-	-	-	-	-
SBF	LF	Purchases	-	148.46	-	95.83	-	281.83	24.93
		Value	-	143.00	-	95.83	-	100.96	-
STF	LF	Purchases	-	5.00	-	9.98	-	82.84	14.75
		Value	-	1.00	-	-	-	38.50	-

Company Name @	Scheme invested		Investing Scheme % (rupees in crores)										
			BaF	EF	ITF	OF	SM	SPF - A	SPF - C	SPF - M	TSF	TEF	TF
Adani Enterprises Ltd.	LF	Purchases	-	-	-	-	-	-	-	-	-	2.82	-
		Value	-	-	-	-	-	-	-	-	-	2.78	-
Allahabad Bank Ltd.	LF	Purchases	-	69.97	-	29.99	20.00	9.85	-	-	-	-	-
		Value	-	-	-	-	-	-	-	-	-	-	-
Axis Bank Ltd.	LF	Purchases	75.99	55.93	74.15	36.06	-	12.69	1.29	25.81	-	51.56	-
		Value	7.33	25.58	66.03	31.58	-	-	1.00	17.74	-	19.74	-
Bank of Baroda Ltd.	LF	Purchases	5.40	16.09	23.43	-	-	-	-	-	-	9.27	-
		Value	2.97	10.42	24.52	-	-	-	-	-	-	5.17	-
DLF Ltd.	LF	Purchases	13.18	35.43	49.82	42.49	43.40	7.51	0.36	8.73	4.39	31.08	-
		Value	-	-	31.03	33.74	-	-	-	-	3.21	-	-
Global Trade Finance Pvt. Ltd.	LF	Purchases	-	-	-	-	75.00	-	-	-	-	-	-
		Value	-	-	-	-	-	-	-	-	-	-	-
HCL Technologies Ltd.	STF	Purchases	7.80	22.94	-	2.92	-	1.47	0.08	1.95	-	18.78	8.64
		Value	-	-	-	13.15	-	-	-	-	-	-	-
Hindalco Industries Ltd.	FRF	Purchases	0.15	0.38	35.20	13.47	-	1.42	0.08	2.25	-	9.05	-
		Value	-	-	-	6.98	-	-	-	-	-	-	-
Hindustan Unilever Ltd.	LF	Purchases	3.40	11.28	-	-	-	0.73	0.04	0.87	-	16.91	-
		Value	-	-	-	25.17	-	-	-	-	-	-	-
Hindustan Zinc Ltd.	LF, STF, FTP-Series 3E	Purchases	3.11	8.31	-	-	-	0.32	0.02	0.31	-	1.86	-
		Value	1.44	4.06	-	-	-	0.33	0.02	0.33	-	1.93	-
ICICI Bank Ltd.	LF	Purchases	40.25	112.09	73.97	37.82	21.98	11.16	0.60	14.75	5.78	85.19	-
		Value	5.33	26.95	64.22	26.93	-	2.46	0.12	2.36	4.18	18.68	-
IDFC Ltd.	STF	Purchases	-	-	4.94	-	-	-	-	-	-	-	-
		Value	-	-	12.58	-	-	-	-	-	-	-	-
Info Edge India Pvt. Ltd.	STF	Purchases	3.52	7.73	-	-	1.44	-	-	-	-	-	4.04
		Value	-	-	-	-	-	-	-	-	-	-	2.42
ITC Ltd.	STF, LF	Purchases	10.88	21.41	-	20.40	-	2.30	0.12	2.26	-	20.05	-
		Value	7.52	21.51	-	30.12	-	2.31	0.12	2.27	-	10.05	-
JM Financial Products Pvt. Ltd.	LF	Purchases	6.00	-	-	-	-	-	-	1.00	-	-	-
		Value	-	-	-	-	-	-	-	-	-	-	-
Larsen & Toubro Ltd.	TEF	Purchases	9.46	32.55	20.56	4.90	-	3.28	0.17	4.17	3.70	28.21	-
		Value	7.86	21.92	43.03	39.38	-	-	-	-	-	19.79	-
Maharashtra Seamless Ltd.	STF	Purchases	-	-	11.35	-	24.88	-	-	-	-	-	-
		Value	-	-	8.80	-	4.82	-	-	-	-	-	-
Maruti Udyog Ltd.	LF	Purchases	2.34	11.50	-	11.05	-	1.48	0.07	1.44	-	9.50	-
		Value	2.33	11.54	-	13.13	-	1.55	0.08	1.51	-	5.32	-
Motors Industries Company Ltd.	FTP-Series 3E	Purchases	-	-	-	-	-	-	-	-	4.08	-	-
		Value	-	-	-	-	-	-	-	-	-	-	-
Reliance Industries Ltd.	LF	Purchases	42.28	91.71	26.97	7.02	16.09	9.29	0.44	11.18	3.43	55.17	-
		Value	19.09	55.93	125.11	77.96	20.73	-	-	-	5.84	35.12	-
Reliance Petroleum Ltd.	LF	Purchases	15.42	28.35	-	-	-	3.31	0.18	5.00	1.78	22.96	-
		Value	1.48	5.03	-	1.92	-	-	-	-	-	3.52	-
State Bank of India Ltd.	LF	Purchases	68.31	107.03	118.45	80.71	59.29	45.27	0.40	175.69	3.76	64.99	-
		Value	4.18	11.95	75.46	52.85	-	28.02	-	37.36	-	11.11	-
Television Eighteen India Ltd.	LPLUS	Purchases	1.62	4.33	10.60	-	3.74	-	-	-	-	-	4.71
		Value	-	-	62.03	23.89	41.72	-	-	-	0.85	-	-

Company Name @	Scheme invested		Investing Scheme % (rupees in crores)										
			BaF	EF	ITF	OF	SM	SPF - A	SPF - C	SPF - M	TSF	TEF	TF
Ultra Cement Ltd.	STF	Purchases	-	-	-	-	-	-	-	-	-	-	-
		Value	2.86	9.43	-	-	-	0.90	0.05	0.87	-	5.51	-
Welspun Gujarat Stahl Rohren Ltd.	STF	Purchases	-	-	46.27	-	37.16	-	-	-	1.08	-	-
		Value	-	-	37.76	-	14.52	-	-	-	-	-	-
Wipro Ltd.	LF, STF	Purchases	2.09	-	-	-	-	-	-	-	-	6.66	11.54
		Value	-	-	-	-	-	-	-	-	-	3.69	4.95
Yes Bank Ltd.	LF	Purchases	-	-	-	-	-	-	-	-	3.33	-	-
		Value	-	-	-	-	-	-	-	-	3.62	-	-

% – Includes the Inter Scheme investments, @ – including investment in subsidiaries.

The Investment Manager is of the opinion that the investments are made by the schemes in such companies since they are perceived as fundamentally strong and possess a high potential for growth. Further, investments in bonds issued by the aforesaid companies would yield attractive returns commensurate with the risks associated with the issuer.

9. Contingent Liability

Uncalled liability for rights shares in following schemes:

Company	Scheme	No. of Shares	Amount in rupees
Orient Paper & Industries Ltd.	SM	1,64,901	2,96,82,180
Orient Paper & Industries Ltd.	MCF	20,391	36,70,380
Federal Mogul Goetze India Ltd..	SM	2,38,855	3,46,33,975

10. Large Holdings:

Scheme	% of Investment Held	No. of Investors
GSFA	25.13%	1
STF	26.75%	1
SBF	29.38%	1

- Unit-holders can obtain from the mutual fund a copy of the Annual Report of the scheme in which he /she has invested.
- The unaudited financial results have been approved by the Directors of the Board of DSP Merrill Lynch Fund Managers Limited and DSP Merrill Lynch Trustee Co. Pvt. Ltd.
- The Auditors of the Fund have performed a limited review of the above unaudited financial results.

For DSP Merrill Lynch Trustee Company Private Limited

Shitin Desai
Chairman

S. S. Thakur
Director

Mumbai; October 26, 2007

For DSP Merrill Lynch Fund Managers Limited

Hemendra Kothari
Chairman

K R V Subrahmanian
Director

Mumbai ; October 23, 2007